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SUBJECT: CPSC CHAIRMAN TENENBAUM INITIATES MOU DIALOGUE
WITH HONG KONG CUSTOMS

REF: HONG KONG 91

11. (SBU) Summary: On her first official foreign trip, newly appointed U.S. Consumer Products Safety Commission (CPSC) Chairman Inez Moore Tenenbaum described her vision for CPSC's relations with global manufacturers to Hong Kong industry and government representatives. She proposed establishing a nonbinding MOU between the CPSC and Hong Kong's Customs and Excise Department (CED) to boost information sharing, intensify CPSC training efforts for CED officers, facilitate personnel exchanges and establish a framework for other collaborative efforts. CED Commissioner Richard Yuen expressed support for an MOU but said "greater operating cooperation" should come first. Tenenbaum answered questions from industry and the media and described CPSC initiatives to enhance communications with the private sector, including efforts to establish CPSC's first foreign office in Beijing. End summary.

12. (SBU) Comment: Chairman Tenenbaum's July 29-31 visit to Hong Kong was eagerly anticipated by government officials and leading manufacturers and exporters. Her breakfast with the Hong Kong American Chamber of Commerce (AmCham) received greater attendance than any such AmCham event during the past two years. Our industry interlocutors privately expressed their appreciation for Tenenbaum's visit and the opportunity to hold frank face-to-face discussions with her. Tenenbaum's frequent engagement with the media while in Hong Kong -- and her willingness to address specific concerns and questions from firms impacted by the U.S. Consumer Products Safety Improvement Act (CPSIA) of 2008 -- reinforced one of her core messages: the CPSC seeks an open and constructive dialogue with industry. End comment.

MOU Discussion With Hong Kong Customs

13. (SBU) While discussing the MOU concept during her July 30 meeting with CED Commissioner Richard Yuen, Tenenbaum noted that the CPSC signed an MOU in April 2004 with the PRC's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). Yuen expressed CED's willingness to sign an MOU with the CPSC, but said, "Rather than work quickly toward a written agreement, we'd like to have greater operating cooperation first. We can then examine areas that can be addressed by the text of an MOU." Tenenbaum offered to work to find the best way forward.

CEDB Hears Complaints from Hong Kong Industry

14. (SBU) Secretary for the Commerce and Economic Development Bureau (CEDB) Rita Lau told Tenenbaum that Hong Kong-based

manufacturers have complained to the CEDB's Trade and Industry Department (TID) about costs related to compliance with the CPSIA. She asked the CPSC to "grant sufficient consideration to the trade" as it seeks to comply with all elements of the CPSIA. She suggested this "could include grace periods or a gradual phase-in" of regulations. Lau was encouraged by the CPSC's "emphasis on cooperation with industry, and the CPSC's pragmatic, common-sense approach to consumer product safety regulation." She also praised the CPSC's website for including translations into Chinese of key CPSC rulings. Tenenbaum cited the CPSC's desire to avoid hindering trade between the United States and China, while ensuring that all provisions of the CPSIA are met and enforced. As an example of the CPSC's flexibility in addressing the concerns of industry, she described the CPSC's recent decision to stay the enforcement until February 2010 of third party testing certification of certain children's products.

Meetings With 150 Industry Representatives

¶15. (U) Chairman Tenenbaum met separately with members of Hong Kong's AmCham, the Hong Kong General Chamber of Commerce and the Federation of Hong Kong Industries to explain her vision for the CPSC's relations with global manufacturers. She pledged that the CPSC will operate under her leadership in an "open, transparent and collaborative" manner, and stressed the importance of maintaining an "open dialogue" with global manufacturers, importers and retailers. Tenenbaum praised the efforts of Hong Kong-based toy manufacturers to comply with the CPSIA, stating that only 20 toys made in China were recalled by the CPSC thus far in 2009, a trend comparing favorably with a total of 65 during all of 2008.

WITH HONG KONG CUSTOMS

¶16. (U) Participants described difficulties faced by manufacturers in complying with disparate product safety regulations from the United States, the European Union, other international jurisdictions and even various U.S. states. Tenenbaum promised to work with other product safety regulatory bodies outside the United States to establish a global standard for consumer product tracking labels. She said cooperation on this area could establish the basis for further international coordination and standardization of product safety regulations, but industry must play a leading role in establishing global consumer product safety standards. She welcomed efforts by the International Council of Toy Industries to establish global toy manufacturing norms.

Product Testing Companies Seek Guidance

¶17. (SBU) Eight senior managers from four international consumer product testing companies (Intertek, SGS, Bureau Veritas, and Modern Testing Services) updated Tenenbaum about CPSIA-related product testing trends. They said manufacturers increasingly require raw materials testing and compliance certification from component suppliers, as a means to ensure the components comply with CPSIA standards on lead and phthalate content. Manufacturers in China are streamlining their component suppliers and sub-contractors as a means to better control product content; this has forced many smaller manufacturers out of business. Testing company representatives requested "reasonable testing program" guidelines from the CPSC as soon as possible to facilitate standardized product testing programs and reduce room for interpretation about a given program's "reasonableness." Tenenbaum stated that the CPSC expects to publish new guidelines on this subject by year-end.

CPSC Office in Beijing Still on Hold

¶18. (U) Throughout her visit, Tenenbaum reiterated the CPSC's desire to open its first international office in Beijing to boost direct communication with Chinese manufacturers and

enhance the CPSC's dialogue with PRC officials. Beijing, however, has still not signaled its approval. Tenenbaum's private sector interlocutors in Hong Kong expressed full support for a CPSC office in Beijing, noting that it would improve their level of dialogue with the CPSC and boost the Commission's education and advocacy efforts in China.

19. (U) Accompanying Tenenbaum in Hong Kong were CPSC Director of International Programs and Intergovernmental Affairs Richard O'Brien, Deputy Director of the Office of Compliance and Field Operations Marc Schoem, and Legal Advisor to the Chairman Matthew Howsare. CPSC Chairman Tenenbaum has cleared this cable.

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